

Revised Final

Intended Use Plan
For
FFY 2006 DWSRF GRANT



California Department of Health Services

June 2007

DRINKING WATER STATE REVOLVING FUND PROGRAM

Revised Final

INTENDED USE PLAN

For

FFY 2006 Funding Year

June 2007

CALIFORNIA DEPARTMENT OF HEALTH SERVICES

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I. INTRODUCTION

A. Background

In California, the responsibility for regulating public water systems and overseeing the safety of drinking water rests with the Department of Health Services (Department). The Department has been designated as the "primacy agency" by the United States Environmental Protection Agency (USEPA) for purposes of implementing and enforcing the federal Safe Drinking Water Act (SDWA). The Department regulates some 7,800 public water systems located throughout the State. To assist in this effort, the Department delegates to 36 of the 58 counties in the State responsibility for enforcement of the State drinking water requirements for public water systems serving less than 200 service connections.

Many California water systems are having difficulty in complying with the numerous new drinking water standards and requirements due to the lack of sufficient financial resources. In addition to the compliance needs, systems also face the need to improve their source water capacity and treatment plants, replace old or inadequate pipelines and equipment, and improve their managerial and technical capability.

The 1996 amendments to the federal SDWA responded to that national need by establishing the Drinking Water State Revolving Fund program (DWSRF). The DWSRF provides financial assistance in the form of Capitalization Grants to states to provide low interest loans and other assistance to public water systems. In order to receive these funds, states must have statutory authority and must provide a state match equal to 20% of the federal Capitalization Grants. The magnitude of these needs is reflected in the Drinking Water Infrastructure Needs Survey conducted by the USEPA in 1995, 1999, and 2003. Based on the results of the 2003 survey, USEPA now earmarks 8.15% of DWSRF funds made available to the states for California.

The federal and state laws allow a portion of federal funds to be used for specified activities in addition to providing financial assistance to public water systems for infrastructure improvements. The Department intends to utilize ~~11%~~ 13% of the FFY 2006 award for set aside activities not directly providing funding for water system projects. Specifically, the Department plans to use set asides for (1) 4% for administration of the Safe Drinking Water State Revolving Fund (SDWSRF) financial assistance program, (2) 2% for technical assistance to small water systems, (3) 3.6% for water system capacity development, and (4) ~~3.4%~~ 1.5% for public water system supervision (PWSS) program management. ~~In addition, the Department will set aside 2.9% for source water protection.~~ Exclusive of SWP projects, ~~86%~~ 87% of federal funds, plus all state matching funds will be used for project funding.

To receive funding approval from the USEPA, the State submits a Capitalization Grant application and an Intended Use Plan (IUP) which describes the State plan for utilization of the program funding. Federal guidelines, and related state statute, require that the IUP include a description of how the program is structured, the planned use of the funds, the criteria, and methods to be used for distribution of the funds, the goals for the program, and a specific project priority list. The California IUP presented herein is prepared and submitted in compliance with those requirements.

B. Statutory Authority

California's statutory basis for the SDWSRF program was established by SB 1307 (Chapter 734, statutes of 1997). The specific provisions of SB 1307 are set forth in Sections 116760.20 through 116762.60 of the

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California Health and Safety Code (H&S Code). With only minor differences, the State statute parallels the federal law and requirements. Therefore, the federal law and the DWSRF program guidelines and regulations of USEPA generally govern the conduct of the California program. To aid in implementation of this authority, the Department has adopted SDWSRF program regulations, which are set forth in Sections 63000 through 63058 of the California Code of Regulations (CCR). A copy of these regulations is attached as Appendix A.

C. Program Structure

The California SDWSRF program is administered and directed by the Department. Department staff conducts many of the activities associated with implementation of the SDWSRF program, however the Department contracts with other State and local agencies and independent contractors for specific activities. Through an interagency agreement (contract), the California Department of Water Resources (DWR) provides assistance in administering the local financial assistance portion of the SDWSRF program. DWR (1) conducts the financial review of project applications, (2) determines the ability of the applicant to repay the loan, (3) determines the amount of loan subsidy, if any, and (4) establishes the financial terms and conditions of loan contracts. In this context, DWR prepares notices of application acceptance as authorized by DHS, prepares draft and final funding agreements, and executes funding agreements as authorized by DHS. During project construction, DWR reviews and processes claims submitted by funding recipients, and concurs in authorization of disbursements to funded projects. DWR maintains a record of disbursements on loans, and prepares semiannual billing notice information for DHS.

The SDWSRF program is managed by the chief of the Safe Drinking Water State Revolving Fund and Small Water System section within the Department's Division of Drinking Water and Environmental Management. The section chief serves as the program manager, and provides direction and coordination of various aspects of the SDWSRF program and assurance of compliance with federal cross-cutters. The section chief/program manager is also responsible for assuring statewide consistency in the implementation of the program. The ranking of projects on the priority list and the management of individual projects (technical review of applications, approval of plans and specifications, construction inspections, etc.) is the responsibility of the Department's drinking water field operations district offices.

II. DRINKING WATER STATE REVOLVING FUND PROGRAM GOALS

The SDWSRF program goals set forth below reflect both federal and state legislative intent to provide funding to correct public water system deficiencies based upon a prioritized funding system. The California SDWSRF funding system utilizes a comprehensive multi-year Project Priority List (See Section VI, Project Priority List), whereby (1) public water system projects addressing public health risk problems, (2) public water system projects needed to comply with the SDWA, and (3) projects assisting public water systems most in need on a per household affordability basis, receive higher funding priority than other eligible public water system projects.

In general, the SDWSRF provides the 7,800 public water systems in California the opportunity to utilize subsidized funding to correct infrastructure problems, to assess and protect source water, and to improve technical, managerial, and financial capability (TMF). The SDWSRF additionally benefits almost 7,300 small water systems (water systems serving a population of fewer than 10,000) by providing technical assistance in most aspects of public water system operations and management.

A. SDWSRF Long Term Goals

1. Ensure that public water systems provide an adequate, reliable supply of safe, clean drinking water.

The SDWSRF loan program advances this basic goal of the Department by providing an ongoing source of funds for future infrastructure improvements. The project ranking process ensures that program resources and funds are applied to the most significant public health and compliance problems.

2. Fund projects on the comprehensive, multi-year Project Priority List

The Department will continue to use the priority list process to direct SDWSRF loan funds to those projects that meet high priority needs. The Project Priority List developed by the Department for the Capitalization Grant will be revised at least biennially, to include new projects. Projects by-passed will not automatically be removed from the list; rather by-passed projects will be eligible for funding in subsequent years at the same time as new projects in the same category.

3. Assure the revolving nature of the SDWSRF loan fund

The SDWSRF loan fund provides a cost effective funding mechanism to assist public water systems in achieving and maintaining compliance with the SDWA. The Department monitors the fund to ensure that it remains financially viable over the long term as an ongoing source of water system funding. As repayments or de-obligated funds become available, they allow the issuance of new loans even in the event that further federal Capitalization Grants cease. Through 2006, over \$40 million in interest and principal repayments have been made by funding recipients on nearly \$400 million in claims paid since program inception.

4. Assure that all public water systems achieve and maintain compliance with the SDWA

In furtherance of the Department's overall goal of safe and reliable drinking water, the Department utilizes the resources of the SDWSRF loan fund and set aside programs to improve the capability of each public water system to operate in compliance with the SDWA, by enhancing the system's technical, managerial, and financial capability ("TMF capacity"). Important elements of this include enhancing the technical knowledge of small water system personnel in complying with regulatory requirements, and enhancing the technical knowledge of small water system operators in water treatment.

5. Reduce Cost of Drinking Water

SDWSRF funding helps water systems minimize cost increases in the cost of supplying reliable, safe drinking water by providing affordable financing for the construction of technically sound drinking water infrastructure projects. The SDWSRF funding can also lessen the need for systems to construct treatment facilities by encouraging source water protection and providing affordable financing for source water protection projects. Water systems may include water conservation measures, including water meters, in conjunction with SDWSRF projects involving distribution system rehabilitation. Water meters encourage the conservation of water, and thereby produce savings related to avoided costs of production and pumping.

6. Encourage Consolidation

SDWSRF encourages the consolidation or regionalization of small public water systems that lack the capability or potential to be operated and maintained in a cost effective manner by prioritizing consolidation projects and assisting the applicant systems through the funding process. The resultant systems can provide consumers with more reliable water supply in compliance with all drinking water standards in a more affordable manner. The SDWSRF regulations include provisions to facilitate funding of consolidation projects.

B. California SDWSRF Short Term Goals

1. Maintain an efficient and effective Safe Drinking Water State Revolving Fund program for the State of California through planned evaluation and revision of the program.

The Department has developed the SDWSRF program based on its own experience regulating public water systems, on the knowledge and experience of the drinking water industry and based on the public input received. The Department also meets regularly with the USEPA Region IX staff to discuss its SDWSRF program development activities. The California SDWSRF program provides an annual evaluation of the program to USEPA, and periodically reports to the Governor on the effectiveness of the capacity development program. The SDWSRF program is also reviewed annually for audit requirements related to the federal grant, as well as requirements of state match bond funds. These review and audit requirements provide the opportunity for modification of the program to maximize the effectiveness of the program.

Target: Convene the internal SDWSRF policy committee at least quarterly; hold at least one round-table meeting with water system representatives and other interested parties each year.

2. Continue Implementation of the SDWSRF program

Each SDWSRF Grant application requires identification of a source of state matching funds. The 20% state fund match is provided from sale of general obligation bonds authorized by ~~Proposition 13 (the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Act; March 2000)~~ and by Proposition 50 (the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of Safe Drinking Water Act; November 2002) as authorized by the Legislature and Governor, and approved by the electorate. Alternate funding would be sought from the Legislature in the absence of continued Bond support for the SDWSRF program.

Target: Ongoing provision of state match funds.

3. Maintain a Project Priority List and an Intended Use Plan (IUP)

The Department notifies every eligible public water system in the state of the annual opportunity to submit a preapplication for incorporation into the SDWSRF project priority list. The staff in the Department's district offices evaluates each project and places it in the appropriate health risk category. Bonus points are assigned based on the criteria developed by the Department (See Section VI Project Priority List). Regional Engineers and other departmental staff review the Project Priority List before its publication to ensure that the rating of the projects is consistent. The ranked pre-applications are integrated into the compiled priority list. Approximately 150 new or revised SDWSRF preapplications are received during the annual preapplication period. The Department will hold a public hearing in the first quarter of each year to

receive comments on the draft IUP, draft SDWSRF Project Priority List, and draft Source Water Protection Project Priority List, prior to adopting the listing for use in April.

Target: (1) Hold a public hearing on the draft IUP and Project Priority Lists in the first quarter of the calendar year. (2) Announce the preapplication submission period in June. (3) Rank preapplications received before September. (4) Publish a draft Project Priority List in December for public review and comment.

4. Determine the fundable portion of the Project Priority List and invite eligible public water systems to apply for funding

An important goal of the SDWSRF program is to fund those projects that are in high priority categories. As discussed in Section VI, Project Priority List, the categories A through G are high priority categories. These categories contain projects to mitigate a current risk to public health or to correct a violation of the SDWA. The Department invites applications from eligible projects on the fundable list on an annual basis in the spring. If the responses to the Statement of Interest are not sufficient to enable the program to obligate the available funds, the need for an additional cycle of invitations will be evaluated.

Target: (1) At least 200 invitations to be mailed by May annually; (2) Provide assistance to water systems to enable submission of at least 30 completed applications by December 31 annually.

5. Provide funding opportunity to highest priority systems.

The SDWSRF project priority list ranking criteria prioritize the most serious public health risk into the highest categories so that these systems have the opportunity to apply for and receive SDWSRF prior to less projects to correct less serious problems and deficiencies. A detailed description of the SDWSRF project ranking/prioritization process is described in Section VI of this Intended Use Plan.

Target: (1) Enter in to preliminary funding agreement (notice of application acceptance -- NOAA) for at least 10 projects in categories B, C, D, and E; (2) Update the project priority list by contacting each system with a project in category A through G [highest priority categories] to determine whether the project is still needed, the readiness to proceed, whether other funding has been obtained; (3) Hold at least 20 (pre) application planning/scoping meetings with systems to assist them in the application process.

6. Continue implementation of the set-aside programs

The Department utilizes portions of the Capitalization Grant to fund technical assistance and capacity development programs. The Department implements these programs both by providing direct assistance to water systems, and by supporting county health department /local primacy agency (LPA) staff and outside providers to assist smaller water systems in meeting TMF capability goals, and aid to these systems in applying for SDWSRF loan funds. The Department will complete updated workplans for each set-aside activity.

Target: (1) Submit annual draft update of workplans by June annually; (2) Complete at least 50 TMF capacity reviews each fiscal year; (3) In consultation with USEPA Region IX, complete baseline database on TMF capacity to enable tracking of progress in this area by December 2006. (4) Provide focused technical assistance to at least ten projects involving consolidation annually.

7. Continue implementation of the SWP loan program.

~~Encourage systems to pursue funding of SWP projects, including outreach during presentations to interested parties.~~ Support systems interested in SWP projects by inclusion of information during presentations to interested parties.

Target: Make funding commitments for at least two projects each fiscal year. Continue support for SWP applications/projects from previous set asides.

8. Meet audit requirements.

In order to ensure that the SDWSRF Program fairly presents the results of its yearly financial and programmatic operations, an annual comprehensive audit is conducted in accordance with the requirements of the Single Audit Act, which is promulgated by the Federal Office of Management and Budget (OMB) Circular A-133. OMB Circular A-133 requires that the auditors issue an opinion on the financial statements along with the changes in financial position and cash flows in conformity with accounting principles generally accepted in the United States of America. It also requires a report to be issued on compliance and internal control over financial reporting in accordance with Governmental auditing Standards. The Department continues to receive an unqualified audit opinion each audit cycle, along with a companion report on program compliance with internal control practices. The goal of the program is to continue to meet and maintain these high standards in order to run an efficient, effective program, in the most economical manner, and demonstrate sound business practices. Additionally, the SDWSRF program must meet audit requirements related to sources of State matching funds sources, Prop 13 and Prop 50 bonds. The Department utilizes the California Department of Finance (DOF), Office of State Audits, and Evaluations (OSAE) to conduct the annual independent audit of the program.

Target: Annually meet audit requirements of federal and State funding programs.

9. Provide, maintain, and update data management tools to enable oversight of SDWSRF projects and the overall SDWSRF fund.

The Department developed a data management system (Management and Reporting System -- MARS) for management of SDWSRF preapplication, application, and related project information. Program needs for information management solutions for the financial data have been evaluated. In consultation with the USEPA and consultants, Department staff is developing necessary enhanced data management tools to facilitate SDWSRF project tracking, program oversight and fund management.

Target: Customize available software (LGTS – Loan and Grant Tracking System) to provide for the complex financial data management needs of the SDWSRF program. Deploy LGTS to financial managers of SDWSRF by September 2006.

C. California SDWSRF Correlation to USEPA National Strategic Plan Goals

California SDWSRF program supports the National Strategic Plan Goal 2, Objective 1, Sub-objective 1 listed below. Specifically, California has established and manages the SDWSRF to make low cost loans and other types of assistance to water systems by financing the cost of infrastructure projects to achieve or maintain compliance with SDWA requirements. California SDWSRF activities support USEPA program reporting code (PRC) 201B81E. Each summer, during finalization of the IUP, California and USEPA review and update California's Strategic Plan commitments for the State Fiscal year starting July 1.

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USEPA Strategic Plan Goal No. 2: Clean & Safe Water; USEPA Strategic Plan Objective No 2.1: Protect Human Health: "Protect human health by reducing exposure to contaminants in drinking water (including protecting source waters) in fish and shellfish, and in recreational waters."; USEPA Strategic Plan Sub-objective No 2.1.1 Water Safe to Drink: "By 2008, 95% of the population served by community water systems will receive drinking water that meets all applicable health based drinking water standards through effective treatment and source water protection."

The California SDWSRF program is operated in support of this USEPA federal goal. Through the funded projects, planned and prior year, loans have assisted public water systems in meeting the federal and state drinking water compliance requirements. Details of California's SDWSRF activities supporting the National USEPA Strategic Plan will be included in the annual report published in January of each year.

III. INTENDED USE OF SDWSRF FINANCIAL ASSISTANCE FUNDS

A. State Matching Funds

The State of California provides the required 20% State match through the sale of State General Obligation bonds authorized by the Legislature and approved by the voters. A total of **\$13,430,736** is earmarked to provide for the state match for the FFY 2006 DWSRF grant award. The state funds are made available, as payment is required for invoices related to project funding agreements entered in to from the FFY 2006 federal grant. Alternate funding will be sought from the Legislature or through leveraging in the absence of continued bond support for the SDWSRF program. Consistent with federal requirements, all state matching funds are allocated to the SDWSRF loan fund.

Revised Table 1	
FFY 2006 Funds	
Federal Capitalization Grant	\$67,153,678
Set aside programs	
Administration (4 %)	(\$2,684,166)
Source Water Protection Loan Fund (0 %)	(\$0)
Small Water Systems Technical Assistance (2 %)	(\$1,342,083)
State Program Management (3.4 %)	(\$2,304,000)
Capacity Development (3.6 %)	(\$2,400,000)
Balance of Federal grant funds to SDWSRF Loan Fund	\$58,423,429
2006 State Match (20 %)	\$13,430,736
SDWSRF Local Assistance (Loan) Funding	\$71,854,165
Estimated repayments 2006 (principal and interest)	\$18,000,000

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B. Proposed Uses

The federal allocation to the State of California is ~~\$68,108,400~~ **\$67,153,678** in FFY 2006. From the FFY 2006 Capitalization Grant, the Department plans to set-aside ~~\$2,781,076~~ **\$2,684,166** for Administration (4%), ~~\$1,362,168~~ **\$1,342,083** for Small Water Systems Technical Assistance, (2%), \$2,400,000 for Capacity Development (3.6%), and ~~\$1,050,000~~ **\$2,304,000** to augment Public Water System Supervision related activities ~~(3.4%)~~ (1.5%), and ~~\$2,000,000~~ (2.9%) for the Source Water Protection loan program. Including the ~~\$13,621,680~~ **\$13,430,736** state funds to meet the 20% federal/state match requirement, this will result in addition to the SDWSRF loan fund of ~~\$72,139,576~~ **\$71,854,165** to be used for local project funding. The SDWSRF loan funds will be obligated to specific projects within 8 quarters of receipt of the federal grant award resulting from this IUP. In addition, during FFY 2006 an estimated \$18 million in repayments (either principal or interest) made to the SDWSRF from previous loan recipients will be available for re-obligation. The Department anticipates re-obligating funds within eighteen months of payment receipt, or as soon as the aggregate repayments are sufficient to fund a reachable project. A graphic chart is provided to illustrate funding utilization for years 1 through 10 of the California SDWSRF program. A spreadsheet summarizing the SDWSRF program budget for years 1 through 10 is provided in Appendix B... Separate accounts have been established for financial support and accounting of the following set-aside programs:

1. Administration

The Department plans to set aside 4 % allowed for the administration costs from the FFY 2006 federal award. Any funds available at the end of the fiscal year will be banked for use in future years and to ensure the availability of sufficient funds to administer the program in perpetuity. Specific activities supported by the Administration set aside are outlined in Section IV, Set-Aside Activities. Portions of these activities are implemented through Interagency Agreements with DWR and the OSAE of DOF.

2. Small Water Systems Technical Assistance

The SDWA authorizes states to set aside 2% of the total annual federal Capitalization Grant to provide technical assistance to small water systems (those with populations of less than 10,000). Since almost 7,300 of California's 7,800 water systems fall into this category, the Department intends to utilize the full 2% for this purpose. The process developed by the Department to provide technical assistance to California's small water systems is outlined in Section IV, Set-Aside Activities.

3. Source Water Protection Fund

The Department intends ~~to allocate \$2 million (2.9%) of the 2006 federal Capitalization Grant to support loans for Source Water Protection (SWP) Projects.~~ **does not intend to allocate funds to allocate \$2 million (2.9%) of the 2006 federal Capitalization Grant to support loans for Source Water Protection (SWP) Projects. The Department will continue to work with interested water systems to fund source water protection projects from funds set-aside from previous federal grant awards.** Repayment of SWP loans is deposited in the SDWSRF account for re-obligation to SDWSRF projects. The SWP program enables community water systems to implement projects directly related to protecting vulnerable water sources from contamination.

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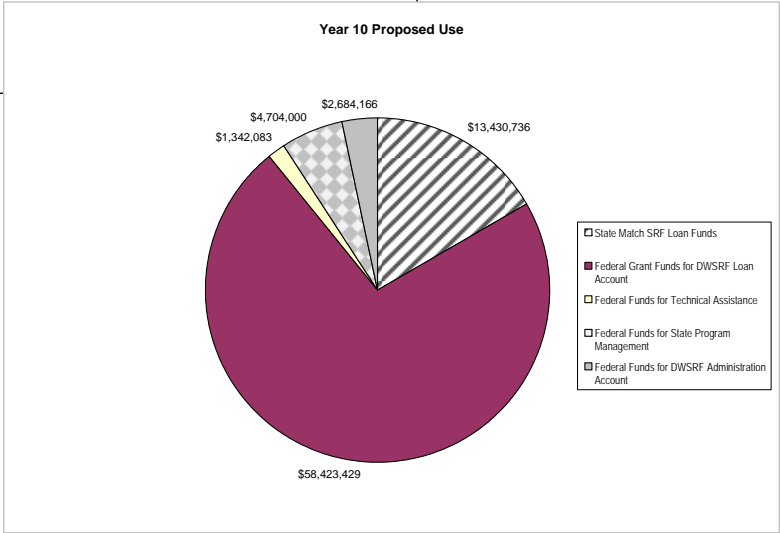
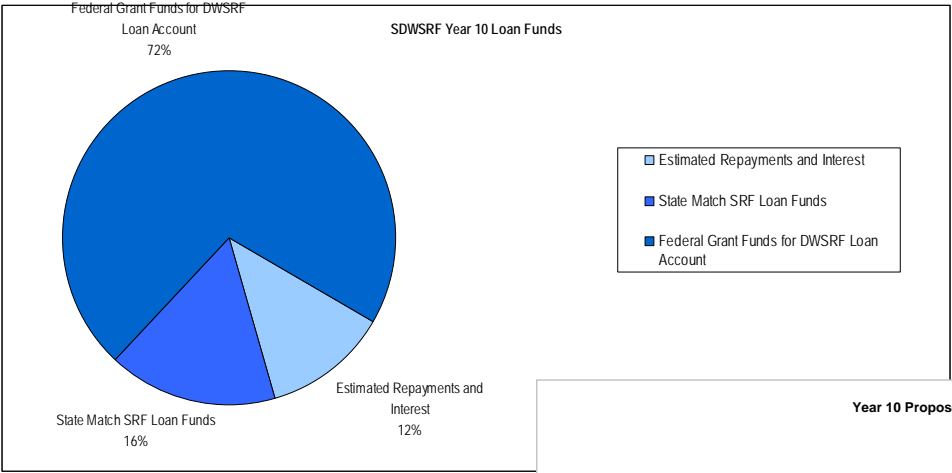
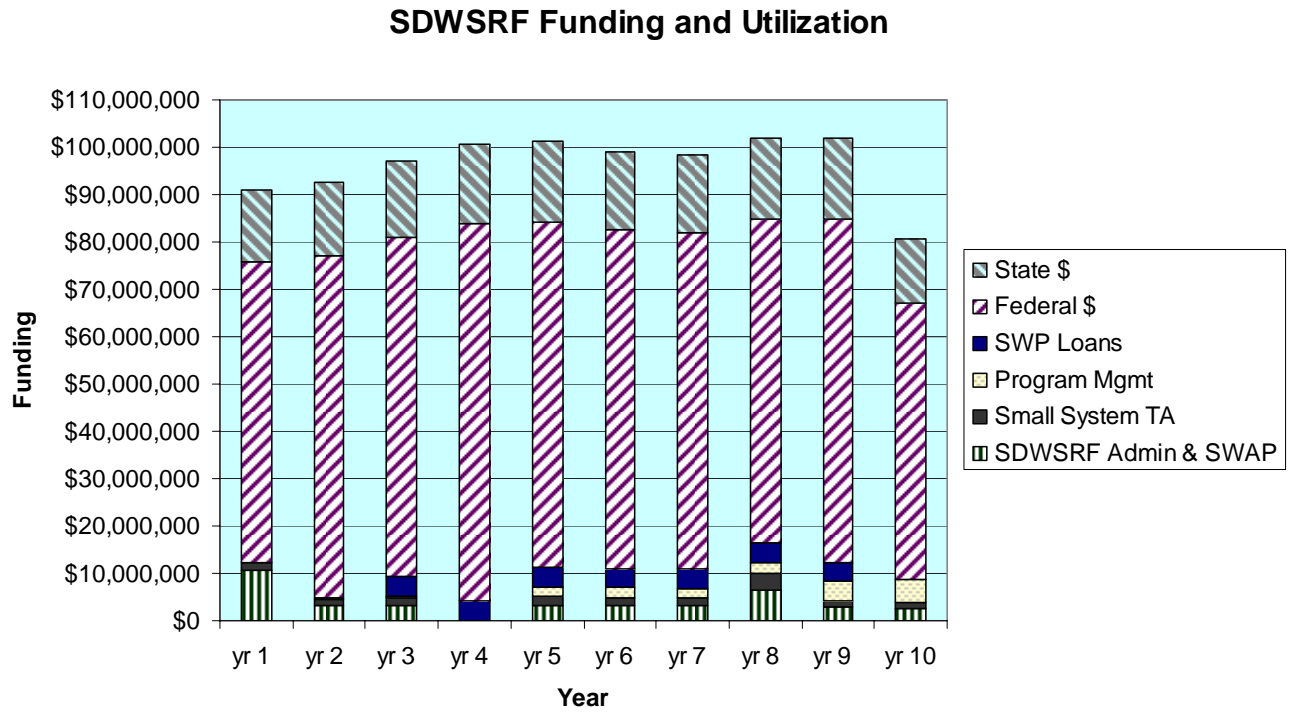


Chart 1 SDWSRF Fund Utilization Years 1 - 10



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4. State Program Management

a. Water System Technical, Managerial, and Financial (TMF) Capacity Development

The SDWA encourages states to establish a "capacity development strategy" and sets specific goals and deadlines which states must meet in order to remain eligible to receive both the funds for the capacity development set-aside and to preserve the full Capitalization Grant award. The Department intends to allocate \$2.4 million (3.6 %) of the 2006 federal Capitalization Grant to support TMF capacity development activities. These funds will be used to continue the capacity development efforts including the assessment of existing public water systems. The Department will provide the 1 to 1 match through current PWSS overmatch and previous years' credit. The Department's capacity development strategy is set forth in Section IV. Detailed workplans for these set aside components are provided separately.

b. Augment Public Water System Supervision (PWSS) Related Activities

The Department intends to allocate \$1,050,000 (1.5%) \$2,304,000 of the 2006 federal award for Public Water System Supervision (PWSS) related activities. This consists of \$1,050,000 for 8 PYs to undertake a variety of PWSS and State program management activities, \$627,000 for 5 positions to address water system security and emergency/disaster response activities, and \$627,000 for 5 positions to support enhanced oversight and assistance specifically targeted to smaller water systems. Detailed workplans for these set aside components are provided separately. The Department will provide the 1 to 1 match through current PWSS overmatch and previous years' credit. The Department's PWSS set-aside use is described further in Section IV.

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1. In general, the \$1,050,000 PWSS supplement funds will be used for (1) inspections and surveys of smaller water systems, to evaluate treatment and infrastructure improvement needs; (2) review of plans and specifications, particularly in relation to for conformance with treatment requirements; and (3) providing technical assistance to managers and operators of public water systems;
 2. In general, the \$627,000 funds for emergency preparedness will be used to conduct activities related to readiness for and response to natural disasters and intentional threat to drinking water sources and supply systems. Through enhanced preparedness and response planning activities, the safety and security of public water systems will be enhanced and, in a disaster or terrorist attack, human illnesses and deaths could be greatly reduced.
 3. In general, the \$627,000 small water system augmentation funds will be used to support smaller systems and local primacy agencies in implementation of and compliance with more stringent primary drinking water standards. Field staff to provide consultation to LPAs for more difficult regulatory implementation and compliance problems. These meetings also help to ensure consistency throughout the state on program implementation,

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and help CDHS to identify common statewide and emerging concerns. Support for development of regional water systems to replace clustered smaller water systems, including participation in regional meetings. Staff support for development of regionalized water systems. Support for consolidation will enhance the capacity of California water systems serving these communities to operate reliably and competently in compliance with complex drinking water regulations.

C. Eligibility for SDWSRF Funding

1. Eligible Systems

Community water systems, both privately and publicly owned, and non-profit noncommunity water systems are eligible for SDWSRF financial assistance. Systems providing water for human consumption through constructed conveyances that have become subject to the SDWA due to the change in the federal definition of a public water system in the 1996 SDWA are also eligible for SDWSRF funding. Federally owned water systems are not eligible for SDWSRF financial assistance from the State of California. While those public water systems located on Indian reservations over which the Department has no jurisdiction are not eligible for SDWSRF financial assistance from the State of California, Indian Tribes are eligible pursuant to SDWA Section 1452(i) for grant funding from the USEPA for public water system improvement projects.

All of the 7,800 public water systems in California are sent information, preapplication, and instructions annually during the open preapplication period in June, when the Department begins the cycle to update the project priority listing. The process of establishing the Project Priority List is described in more detail in Section VI, Project Priority List. The 2006 Project Priority List has approximately 3,800 projects totaling \$8.5 billion in potential funding need. Nearly 1,700 systems have submitted one or more preapplications for SDWSRF funding.

The SDWSRF may not provide any type of assistance to a system that lacks the TMF capability to maintain SDWA compliance, unless (1) the owner or operator of the system agrees to undertake feasible and appropriate changes in operation, and (2) the use of the financial assistance from the SDWSRF will enable compliance with TMF requirements over the long-term. Further information on how capacity development is enhanced through the SDWSRF, please refer to Section IV, Set Aside Activities, Part C, Water System Capacity Development Program.

2. Eligible Projects

All eligible projects must facilitate compliance with national or State primary drinking water regulations or further the health protection objectives of the SDWA. There are six types of projects eligible to be funded from the SDWSRF loan program. These are listed and briefly described below:

- a. *Compliance and Public Health* - Projects to address SDWA health standards that have been exceeded or to prevent future violations of the rules.
- b. *Projects to Replace Aging Infrastructure* - These include projects (1) to rehabilitate or develop sources; (2) to install or upgrade treatment facilities; (3) to install or upgrade

storage facilities; and (4) to install or replace transmission and distribution pipes to prevent contamination caused by leaks, or improve water pressure to safe levels.

- c. *Projects to Provide Treatment* - Projects to enable systems affected by the change in the federal definition of a public water system to include "constructed conveyances" such as canals or other open ditches and certain piped irrigation districts described in the federal SDWA to meet drinking water standards.
- d. *Land Acquisition* - Acquisition of land is only eligible if it is integral to a project that is needed to meet or maintain compliance or further the public health protection of the SDWA.
- e. *Planning and Design of a Drinking Water Project* – Projects to assist a water system with the costs of project planning, design and other related costs of a drinking water project. The cost to applicants of preparing environmental assessment reports may also be included as part of the cost of planning a project. [The Department proposes to modify the State SDWSRF regulations to allow a planning loan of up to \$500,000, and to allow a grant component for planning projects (See Appendix A)]
- f. *Consolidation* - Financial assistance may be given to cover the costs of consolidating a public water system, which is in noncompliance with the SDWA or that lacks the necessary technical, financial and managerial capacity to maintain compliance with the SDWA, with another water system that is in compliance with the SDWA.

3. Growth

Federal and state statutes require that SDWSRF funds may not be used for projects whose primary purpose is to provide for or attract growth. SDWSRF funds pipelines designed to provide flow to meet existing maximum day demand, capacity for fire flow as required by local fire authority, and 10% for growth. A project may include a larger component if the water system identifies an alternative source of funding to cover the additional cost associated with excessive project component capacity. However, aside from required fire flow capacity, if a component is designed so that the increase in capacity exceeds existing demand, that component, or the entire project may become ineligible for SDWSRF funding.

4. Water Conservation and Security

Ancillary project components: SDWSRF can fund complementary components related to correcting the ranked problem. Specifically, water conservation, energy conservation, and water system security features (e.g. water meters, SCADA, and auxiliary power) can be included in SDWSRF funded projects.

D. **Types of Financial Assistance Available**

In accordance with State and federal statutes and USEPA guidance, several types of financial assistance are offered to eligible project applicants. In order to provide some flexibility for applicants, maintain SDWSRF fund long-term viability, and fund as many high priority projects as possible, the Department has developed various terms, limitations, and conditions for use of the funds. These criteria are spelled out in

the Department's SDWSRF regulations (See Appendix A). Funding assistance of any type will be offered only to projects that are within the fundable portion of the Project Priority List. To the extent feasible, the Department coordinates SDWSRF funding with funding from other State and Federal sources. Applicants are encouraged to make maximum utilization of more appropriate funding sources. Available SDWSRF financing options are discussed below.

1. Normal Construction Loans

Normal construction loans comprise the majority of the project financing made available, and cover planning, design, acquisition, and construction costs. All of the federal rules and criteria apply to these loans for systems with more than 1,000 services. In addition, pursuant to state law, the following terms and conditions apply:

- The maximum length of the loan is 20 years or the useful life of the project, whichever is shorter (H&S Code Section 116761.22)
- The applicable interest rate is 50% of the average interest rate paid by the State on general obligation bonds issued in the prior calendar year. (H&S Code Section 116761.65).
- The maximum amount of loan financing to be awarded to a single project during any one fiscal year is \$20,000,000, except as provided in CCR Section 63012.
- In addition to the maximum loan amount per project described above, no public water system with multiple projects shall receive a total amount of loans in excess of \$30,000,000 in any one fiscal year (except to provisions of CCR Section 63012).

2. Planning Loans

Normally, project planning and preliminary engineering costs are included in a design and construction loan and reimbursed to the applicant. However, in a few cases, some smaller systems may not be able to fund the preliminary planning needed to proceed with a full design and construction loan application. In such cases, an applicant may apply for a planning loan. Receiving a planning loan, however, does not commit the Department to future funding of the project and does not guarantee that a subsequent construction loan will be awarded. Projects receiving a planning loan will retain their place on the priority list and will need to compete with other projects for available funding at the time construction is desired. Planning loans are subject to the following terms and conditions:

- Funds may be used only for feasibility studies, project planning (including environmental documentation), and preliminary engineering. The funds may not be used for detailed design, equipment, acquisition, or construction.
- The project must be within the fundable portion of the priority list.
- The maximum length of the loan is 5 years. The loan repayments may be combined with a construction loan should one be subsequently awarded. [H&S Code Section 116761.50 (b)(5)]

- The applicable interest rate is 50% of the average interest rate paid by the state on general obligation bonds issued in the prior calendar year
- The maximum planning loan amount for any single project shall not exceed \$100,000 per project (CCR Section 63011); [*This provision is proposed for revision; upon adoption of revised regulations, the per project planning loan maximum will be \$500,000. (See Appendix A)*]
- Provision is proposed for grants for planning activities; upon adoption of revised state regulations, forgiveness of principal may be provided for planning studies to disadvantaged systems if necessary based on financial evaluation.
- Planning projects will be considered completed when the final draft planning report is approved by the Department (CCR Section 63011).

3. Disadvantaged Communities

As provided for by state and federal statutes, disadvantaged communities (see discussion under Section V.) may be eligible for additional financial assistance in the form of lower interest rates, extended repayment periods, or forgiveness of principal (subsidy). The typical loan terms and conditions are as follows:

- The loan repayment period is 20 years, or the useful life of the project constructed, whichever is shorter, except that a disadvantaged system may, if necessary, receive a construction loan of up to 30 years as long as this doesn't exceed the expected useful life of the project.
- The applicable interest rate for loans is zero %. [H&S Code Section 116761.65 (b)]
- The maximum amount of additional financial subsidy to be awarded to a single public water system in any one fiscal year shall not exceed \$1,000,000, including grant funding of a related planning project.

4. Refinancing Loans

Projects where the construction started after July 1, 1993, are eligible for refinancing (CCR Section 63000.80) under the following conditions:

- Only publicly owned public water systems are eligible.
- Only projects in categories A through G are eligible for refinancing of the outstanding balance of municipal debt;
- The loan maximums and fall within the fundable portion of the list;
- The project when constructed must have complied with all federal SDWSRF criteria pertaining to new projects.

- The California SDWSRF program will not offer funding for refinance projects while the backlog of projects in categories A through G which have not yet been provided the opportunity to apply for SDWSRF funding during the preceding two calendar years, remain unfunded.

5. Local Match Projects

State statutes allow a local agency to pay the required state match (20 %) in lieu of the state and in return receive a zero interest rate loan. In accordance with USEPA requirements, the Department requires full payback to the State of the loan amount (a combination of state and federal funds). The SDWSRF program will work with applicants interested in this funding option.

E. Application of Federal Cross-Cutters

The Department intends to amend the State SDWSRF regulations to improve program implementation. Upon approval of the regulation revision, the SDWSRF will establish the threshold for projects subject to federal cross-cutting requirements in each IUP. This change will enable the Department to set the size of systems and the cost of projects which will be exempt from federal cross-cutting requirements annually. The Department will evaluate the anticipated loan repayment funds which are not subject to cross-cutting requirements when they are applied to new loan agreements.

Until the regulation revision is approved and effective, federal cross cutters will be applied to all project applications from systems serving over 1,000 service connections and to all projects for more than \$500,000 in funding. [CCR Section 63050(b)] At such time as the regulation revision is approved, and invitations to apply are sent by the SDWSRF pursuant to this IUP, federal cross cutting requirements will be applied to applications from systems serving over ~~1,000~~ **3,300** service connections and to all projects for more than ~~\$1,250,000~~ **\$2,000,000**. Funding exempt from federal cross cutting requirements is subject to the availability of funds in the California SDWSRF not subject to such requirements, i.e. state match funds equivalency, repayment of SDWSRF loans, and interest or penalties available in the SDWSRF revolving fund.

There are numerous federal laws and executive orders that apply by their terms to projects receiving Federal financial assistance, even though that assistance may be administered by the State. Examples of these include the National Historic Preservation Act, Wild and Scenic Rivers Act, Equal Employment Opportunity executive orders, Minority- and Women-owned Business Enterprise (MBE/WBE), and the Endangered Species Act. As the administering agency of California's DWSRF, the Department has the responsibility to assure that applicants adhere to the requirements of these crosscutting laws and orders.

There are numerous federal laws and executive orders that apply by their terms to projects receiving Federal financial assistance, even though that assistance may be administered by the State. Examples of these include the National Historic Preservation Act, Wild and Scenic Rivers Act, Equal Employment Opportunity executive orders, Minority- and Women-owned Business Enterprise (MBE/WBE), and the Endangered Species Act. As the administering agency of California's DWSRF, the Department has the responsibility to assure that applicants adhere to the requirements of these crosscutting laws and orders. The Department established a central unit of specialists in environmental review to assure compliance with the various environmental and historic/archaeological cross-cutting federal requirements. The Department

also maintains a technical staff providing coordination of MBE/WBE and other non-environmental cross cutters.

Projects supported with funds directly made available by USEPA capitalization grants (i.e., projects funded in amounts equaling the grant), sometimes known as "equivalency projects," must fulfill the Federal crosscutting requirements. The Department retains the discretion to determine which projects are treated as non-equivalency projects. The Department designates projects of smaller systems as non-equivalency since smaller systems more often lack the expertise necessary to comply with the more demanding federal equivalency requirements. The Department establishes a cutoff based on the size range and project funding requests anticipated in the funding year pool of SDWSRF projects that will be invited to complete the application process. In the initial two years of the program, the non-equivalency funds (equal to the amount of funding from the State match) were used for systems serving less than 1,000 service connections (including non-community water systems). Systems receiving SDWSRF funding of \$500,000 or more are required to conform to applicable federal cross cutters regardless of the size of the system.

Non-equivalency projects are required to undergo a tier two environmental review, as explained in a later section. Applications sent to water systems seeking funding for projects determined to be non-equivalency projects explain in detail the requirements applicable to those projects. When projects whose cumulative funding exceeds the amount of the Federal capitalization grant are treated as equivalency projects, the excess is banked for use in future years.

It should be noted that all projects and activities funded with SDWSRF funds are subject to federal anti-discrimination laws, including title VI of the Civil Rights Act of 1964, section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975. The Department includes standard provisions concerning these cross cutting laws in all funding agreements and service contracts.

IV. SET-ASIDE ACTIVITIES

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The federal SDWA provides for a variety of activities to be funded from the SDWSRF using "set-aside" funds to be deposited into separate accounts. The Department plans to utilize ~~11%~~ **13%** for set-aside programs not directly funding water system projects. Set-aside funds not needed are either banked in the loan fund, or permanently allocated to the loan fund. Funds from the FFY 2006 award will be used as follows: (1) SDWSRF administration costs (4 %; ~~\$2,684,166~~ **\$2.74 million**), (2) small water system technical assistance program (2 %; ~~\$1,342,083~~ **\$1.36 million**), (3) water system capacity development program (3.6 %) from the available federal funds and (4) program management related to PWSS (**3.4%; \$2.3 million**) (1.5%; \$1.1 million). ~~In addition, the SWP loan set aside (2.9%; \$2 million) will be available for loans for (1) projects involving source protection through acquisition of land or conservation easements and (2) projects involving implementation of source water protection measures.~~ Following is a brief description of each of the proposed set-aside program elements.

A. Program Administration Element

The full cost of administering the Fund, including the development of the priority list, the review and processing of applications from local agencies, management and oversight of individual projects, management of contracts with cooperating agencies, all accounting and legal costs are funded by this set-aside. The Department does not anticipate instituting any type of loan fee as long as capitalization grants continue to be available. Therefore, there should be no State administrative cost to a local agency to apply

for and secure funding from this program. Public water systems are not be billed for time expended in reviewing and processing applications, although this is allowed by state statute (H&S Code Section 116565).

The Department will use the full 4% allowed for the administration set-aside funding to support staff within the Department and to cover the costs of the interagency agreements with DWR and the external audit contract. The administrative set-aside supports a number of staff in the SDWSRF headquarters office, including those providing environmental review, capacity development, technical assistance, state program management, and administrative support of SDWSRF contracts, fiscal, and program management and personnel needs. The Department utilizes a detailed time-accounting system to track hours devoted by staff to the SDWSRF program elements. This time accounting system forms the basis for personnel costs drawn from the set asides for SDWSRF administration, technical assistance and capacity development. DWR provides fiscal oversight of SDWSRF loans and grants for the Department's SDWSRF and SWP projects. The Department contracts with OSAE of DOF for audit services to fulfill the federal program audit requirement.

A portion of the Administration set aside is used to fund positions of the SDWSRF Fiscal Support Team in the Accounting Section of the Department's Administration functional area. The senior accounting officer and the accounting technician handle Department responsibilities for loan claims payments, accounting of the various functional subaccounts through which the various set-asides are tracked, and semi-annual billing for interest and principal to funding recipients. The SDWSRF Fiscal Support Team coordinates closely with the SDWSRF program manager, and with DWR. The Fiscal Support Team provides the point of contact with the State Controller's Office, and may consult on matters related to the sale of State bonds providing state matching funds.

USEPA has established the Drinking Water National Information Management System (DWNIMS) database for maintaining information on SDWSRF funding and assistance. Pursuant to USEPA's Final Guidelines for the SDWSRF Program, the Department provides information to the DWNIMS on a semiannual basis. USEPA uses this data to assess the program on a national basis and to monitor state progress. USEPA's regional offices uses the information to assist in conducting their annual review of the state program to assess state compliance with the annual grant agreement, including compliance with special federal requirements and limitations on use of SDWSRF funds, including recipient and project eligibility and the type of assistance provided, and assess the state's progress in specific tasks identified in the IUP,

The Department utilizes SDWSRF administrative funds to support several data management positions and activities, which in turn support the California's SDWSRF program. These data management resources are directed to maintenance and enhancement of a data management resources necessary for program management, including the database for maintaining the SDWSRF project priority list. SDWSRF administrative funds also enabling the adaptation of the Loan Grants and Tracking System (LGTS) into the overall SDWSRF data process. To this end, USEPA is facilitating contract support from the developer of the software, Northbridge Inc. to modify and integrate LGTS for the California SDWSRF program and modify and customize the financial modules of the application. The LGTS system will be utilized by the SDWSRF headquarters staff in the processing and tracking of financial data relevant to the goals of the SRF program, the supporting Accounting team, and DWR in support of the SDWSRF program activities. The ultimate purpose of the implementation is to provide a reliable integrated mechanism for financial tracking that has proven to be acceptable to federal EPA on financial audits of similar programs.

B. Small Water System Technical Assistance Program Element

California has nearly 7,300 small public water systems (systems serving a population of less than 10,000). Many of these small systems struggle to comply with regulations and meet operational requirements because the staffs lack the technical capability to be able to comply with the complex requirements of the SDWA. The Department, with assistance of local primacy agencies (LPAs), relies on small water system set aside funding to support water program specialists and engineers to aide these small systems. The Department will allocate the maximum allowable amount of 2% of the FFY 2006 federal allocation for this purpose. The Department uses these funds to provide additional in-house technical staff and to contract with LPAs and outside contractors to provide a variety of technical services to small systems.

The primary goals of the small system technical assistance program are: (1) reducing the instances of noncompliance with drinking water standards and requirements; (2) establishing and assuring safe and dependable water supplies; (3) improving the operational capability of the systems; and (4) establishing or improving the financial, technical, and managerial capability of the systems. This program is directed at those systems serving a population of less than 10,000, with much of the emphasis given to the 1,000 community water systems serving less than 200 service connections.

The specific work activities to be conducted during FY 2006-2007 will be determined by the Department assisted by LPAs and interested third parties. One of the areas of priority is to assist small systems in the preparation of applications for SDWSRF funding. Preparing these applications, particularly the development of environmental documentation and preliminary engineering, is beyond the technical and financial capability of many systems. The Department, with the help of LPAs and third party contractors will provide some of this assistance.

The SDWSRF maintains an "Assistance Referral List." Systems are placed on this list by the Department's Drinking Water Program field staff and LPA staff. Systems are then provided specific assistance by SDWSRF small water system specialists or via SDWSRF sponsored technical assistance provided by Rural Community Assistance Corporation (RCAC) and California Rural Water Association (CRWA). SDWSRF small water system specialists hold quarterly meetings with CRWA, RCAC, and other technical assistance providers, such as Sacramento State University. These meetings provide the opportunity to identify and implement more effective and meaningful methods of providing technical assistance to smaller and disadvantaged systems.

In addition to the above, the small system technical assistance program will focus on the following activities:

- Correction of existing or pending violations and other operational problems
- Optimizing treatment of source water
- Development of distribution system operational plans and emergency preparedness/disaster response plans;
- Training for water treatment operators and water distribution operators

- Training and information resources for water system managers related to budgeting, rate setting, and capital improvement planning.

R C. Source Water Protection (SWP) Loans

eThe Department will not allocate additional funds from the FFY 2006 grant award. The Department will continue to work with interested water systems to fund source water protection projects from funds for this purpose allocated from previous grants. ~~set aside 2.9% (\$2,000,000) to be available for source water protection loans.~~ Details of the SWP loan program are found in Section VI. B. (See below).

V i D. State Program Management

S 1. Water System TMF Capacity Development

eWater system personnel are faced with technically complex drinking water requirements. Many individuals have difficulty in understanding the increasing, complex, and changing regulatory and operational requirements; as a result, systems may have difficulty in consistently meeting operational and regulatory requirements. The term “capacity” collectively refers to three critical components of effective water system operation: the technical, managerial, and financial (TMF) capability (“capacity”) of the system personnel which is the basis for safe, reliable system operation to provide a community water supply meeting drinking water standards. Every system needs the financial resources to function, plan for current, unpredicted, and future needs, and to make upgrades and improvements, the technical knowledge to effectively understand and operate the physical aspects of the system, and the managerial capability to plan and administer overall water system operations.

Capacity development programs are typically described in three components:

- Phase I --statutory authority to require adequate TMF capability of new water systems;
- Phase II --control points at which the regulatory process allows the state to evaluate water systems during formation for TMF capability; and
- Phase III – program evaluation.

The Department has the necessary statutory authority (H&S Code Section 116525) and control points (Set forth in H&S Code Section 116540) providing the authority to issue or deny a permit to operate a public water system. A major activity was undertaken to develop a comprehensive state capacity program involving major program elements (i.e. permits for new systems, inspections, operator certifications, training, financial assistance, master planning, technical workshops and assistance). To assist in accomplishing this, the Department sought public participation and established an advisory group of persons and entities interested in the capacity development program. The Department conducted public workshops and hearings, completed development of its comprehensive proposed TMF capacity program strategy, and submitted the proposed to USEPA. The proposed strategy was review and approved by USEPA in September 2000.

The Department updated its staff guidance on the procedures for permit issuance in 2001 to fully integrate TMF requirements into the permit issuance process. The Department also supports improvement of TMF

capabilities of water systems by aiding systems in meeting federal requirements for source water vulnerability assessments, and development of expanded emergency preparedness plans. The Department is in the process of completing the baseline assessment of the TMF capacity of existing water systems. The mechanism for this assessment is a TMF self-appraisal tool for water systems, and is known as the "TMF TuneUp." In addition to establishing a baseline evaluation of TMF capabilities of water systems in California, the TMF TuneUp is expected to help Department staff identify TMF deficiencies and provide assistance to those systems most in need. Resultant information will also help the Department to measure improvements in TMF capacity over time. This TMF baseline information will assist in ongoing evaluation of the program. SDWSRF staff will review the information to identify and provide assistance to those systems most in need of help to meet TMF criteria for reliable long-term water system operation. A multiyear workplan provides detailed information on Phases II and III of this program.

In order to continue capacity development activities, the Department will allocate 3.6% (\$2.4 million) from the FFY 2006 federal SDWSRF capitalization grant for the capacity development set-aside. By assisting systems to recognize and address their TMF capacity deficiencies, the capacity development program seeks to improve the systems' operational programs to assure that acceptable levels of operation can be met and sustained.

The Department plans to continue the use of third-party contractors, who offer personnel with specialized small water system expertise, to assist smaller water systems in developing their TMF capacities. The Department also uses the capacity development set-aside to support workshops, presented by third-party contractors, which address the mandatory and required TMF capacity elements. These workshops are offered in locations throughout the state and are readily accessible to system personnel from the more rural areas of the state.

The content and presentation of the workshops are updated. The set aside also supports statewide training workshops and internet-based self-study curriculum tailored to the needs of smaller systems. In addition, the program supports staff and consultant specialists who are available to provide on-site consultation in the field to enhance knowledge transfer customized to the water system's specific needs. This consultation provides TMF capacity expertise to systems to develop the capability of the personnel of these smaller systems.

2. Public Water System Supervision (PWSS) Activities

The Department will allocate **3.4% (\$2.304 million)** ~~1.5% (\$1.05 million)~~ from the FFY 2006 federal SDWSRF capitalization grant for this set-aside. The Department uses the set aside for Public Water System Supervision (PWSS) related activities to ensure adequate resources for oversight of all water systems in California. Detailed workplan for these activities are provided separately. In general, the funds are used to support field staff activities including (1) inspections and surveys of water systems to evaluate treatment and infrastructure improvement needs, with particular emphasis on disadvantaged and small community water systems; (2) review of plans and specifications, particularly in relation to for conformance with treatment requirements; and (3) to provide technical assistance to managers and operators of public water systems. the PWSS supplement funds will be used for (1) inspections and surveys of smaller water systems, to evaluate treatment and infrastructure improvement needs; (2) review of plans and specifications, particularly in relation to for conformance with treatment requirements; and (3) providing technical assistance to managers and operators of public water systems; The emergency preparedness/ disaster response set aside supports activities related to readiness for

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and response to natural disasters and intentional threat to drinking water sources and supply systems. Through enhanced preparedness and response planning activities, the safety and security of public water systems will be enhanced and, in a disaster or terrorist attack, human illnesses and deaths can be minimized. Small water system augmentation funds will be used for Department staff to support smaller systems and local primacy agencies in implementation of and compliance with more stringent primary drinking water standards. Field staff to provide consultation to LPAs for more difficult regulatory implementation and compliance problems; support for development of regional water systems to replace clustered smaller water systems, including participation in regional meetings; support for consolidation will enhance the capacity of California water systems serving these communities to operate reliably and competently in compliance with complex drinking water regulations.

The 1996 SDWA amendments included specific requirements for certification of water treatment operators and water distribution system operators. The Department has met the federal requirement for the statutory, regulatory and programmatic requirements for water treatment and distribution system operator certification. California regulations requiring certification of distribution system operators became effective January 2001, and were approved by USEPA later that year. As a result, each individual who makes decisions addressing the operational activities of a public water system in California must possess a distribution operator certificate. As of January 2006, over 11,800 operators hold full water distribution certification in California. In the absence of comparable State operator certification requirements, a portion of the state SDWSRF Capitalization Grant could be withheld by USEPA. The Department includes conformance with water operator certification requirements during the annual reviews and/or inspection of each water system. Operator certification is also a key element of TMF capacity review.

Those public water systems which only disinfect the source water, in which the source water is not subject to Giardia or virus contamination, may be operated by a certified distribution operator, rather than a certified water treatment operator. Department drinking water program field office personnel evaluate and classify each public water systems' water treatment facilities and each public water systems' distribution systems based on federal guidance. Nearly 2,900 facilities have been classified as requiring certified water treatment operators. As of January 2006, approximately 11,500 individuals hold full water treatment operator certification in California. A copy of the Annual Report of the California Operator Certification Program is provided in Appendix G.

Federal and State requirements for water treatment operator and water distribution operator certification and renewal include ongoing continuing education requirements to ensure that individuals responsible for the quality, safety, and reliability of domestic water supplies maintain their knowledge and skills. The Department has received funding from the USEPA for the Operator Certification Expense Reimbursement Grant which will reimburse operators of small water systems (serving no more than 3,300 population) for the expenses related to training, certification, and renewal. In addition, the Department staff work with California Rural Water Association (CRWA), Rural Community Assistance Corporation (RCAC), and the Water Operator Training Program of Sacramento State University to improve coordination of training opportunities. Monthly meetings are planned to allow active review and adaptation of focused training developed for operators and managers of smaller water systems.

V. DISADVANTAGED COMMUNITIES

California statutes and regulations provide additional financial assistance to “disadvantaged communities” if such communities cannot afford to repay the full amount of the loan needed to fund the proposed project. The interest rate to disadvantaged communities is set at zero % (H&S Code Section 116761.65). The assistance may include extending the repayment period to 30 years (but not to exceed the design life) as allowed in the federal act. In addition, for community water systems owned by a public agency or a not-for-profit entity and serving a disadvantaged community, State regulations allow forgiveness of up to 80% of the loan principal. The service area affected by the project must meet the criteria for a disadvantaged community in order for the project to be eligible for consideration for these special financial assistance measures. The provisions of State regulations allow for assistance so that the resultant water rate to the average residential user is no higher than 1.5% of the median household income (MHI) for the community.

Meeting the criteria of a disadvantaged community is the first step in receiving additional financial assistance. SDWSRF determines any grant (principal forgiveness) component to the assistance offer after evaluating the disadvantaged community's ability to repay a loan. Thus, factors such as household income levels, current and projected monthly consumer water charges, and the cost of the proposed project become determining factors when establishing disadvantaged status and determining the SDWSRF funding offer (loan, or loan and grant).

The determination as to whether a disadvantaged community qualifies for additional financial assistance will not be made until DWR completes its evaluation of the revenue program, project costs, and other financial information contained in the full project application. Therefore, while a public water system may be able to determine in advance whether or not they qualify as a disadvantaged community, they will not know if additional financial assistance will be provided (subject to the limitations described in Section III.D.3.) until the full application process is completed.

The Department assists economically disadvantaged communities in resolving serious drinking water problems consistent with legislative direction. However, the excessive awarding of subsidies would undermine the primary objective of the program, which is to establish a long-term self-sustaining revolving loan fund. Funds given out in the form of additional subsidy (loan forgiveness) are not returned to the fund in the form of repayments, and so reduce the future ability to fund SDWSRF projects. The Department has balanced these two objectives to meet the overall need of the program. An ongoing and viable loan program is in the best interest of both financially stable and economically disadvantaged communities.

VI. PROJECT PRIORITY LIST

In accordance with federal requirements, all potential recipients for SDWSRF funding must have had their projects included on a statewide Project Priority List. The Department developed a draft 2006 Project Priority List which was finalized in April 2006; this list will be used for obligating SDWSRF funds from the federal allocation addressed by 2006 IUP. The Department has also developed a draft priority list of SWP projects, which serves as the basis for funding SWP loans under the \$2,000,000 set aside in this IUP for that purpose (See III.B.4. SWP Fund). Operationally, the Department merges projects that are on an existing priority list with new applications when establishing an updated project priority list. This eliminates the need for many applicants to resubmit applications each list revision cycle. The draft Project Priority List

to be used for the FY 2006 allocation is attached as Appendix D. The draft SWP Project Priority List to be used for the FY 2006 allocation is attached as Appendix E.

Placement of a project on the priority list does not guarantee that a project will be funded. However, only those projects that are included on the priority list will be considered for possible funding. Projects may only be added to a priority list during the annual public hearing and adoption process.

Pursuant to state statutory authority, the Department may revise the ranking of a project on an existing priority list at any time if information affecting the ranking of that project becomes available that was not available at the time the list was adopted.

A. SDWSRF Project Priority Ranking Criteria

1. Health Risk and Safe Drinking Water Act Compliance Categories

As required by federal and state law, water system projects are offered SDWSRF funding based on a Project Priority List developed by the Department. In establishing the priority list, the Department ranks projects in order of the degree of health risk associated with the problem that the proposed project is intended to solve. Thus, the projects solving the most serious health risk and SDWA compliance problems receive the highest ranking. When ranking projects, within a category the Department places smaller systems higher on the list within the category than larger systems, and, within each category, places systems with lower median household income (MHI) ahead of non-disadvantaged systems. The categories that have been established by the Department are briefly summarized below (a more detailed description of the categories is included in Appendix C).

<u>SRF Category</u>	<u>Description</u>
A	Projects: (1) to correct ongoing problems that have resulted in documented waterborne disease outbreaks that are attributable to the water system; or (2) to comply with a court ordered compliance involving (a) a violation the federal or state SDWA, or (b) water outage problems.
B	Projects to correct coliform bacteria contamination of an active water supply source that is resulting in repeated violations of the coliform bacteria Maximum Contaminant Level (MCL).
C	Projects to provide treatment for an unfiltered surface water supply source; or to correct an active untreated groundwater source that is contaminated with fecal coliform or E.coli.
D	Projects to correct ongoing violations of the State or Federal regulations concerning surface water treatment requirements; or to correct an active groundwater source that is contaminated with fecal coliform or E.coli and is inadequately treated.
E	Projects to correct water outage or severe water shortage problems caused by source water capacity or water delivery capability that is insufficient to supply current demand.
F	Projects to correct: (1) current nitrate/nitrite contamination in excess of the State or Federal MCL in the water being distributed to consumers; or (2) distribution system problems resulting in ongoing violations of the Total Coliform Rule.
G	Projects to correct an ongoing chemical (other than nitrate/nitrite) or radiological contamination exceeding a State or

<u>SRF Category</u>	<u>Description</u>
	Federal primary MCL in the water being distributed to consumers.
H	Projects to correct (1) low head transmission lines and (2) treated water reservoirs with non-rigid covers
I	Projects needed to comply with federal or state treatment or monitoring requirements related to disinfectants or disinfection by-products; or projects needed to comply with the California Cryptosporidium Action Plan.
J	Projects to correct violations of the Water Works Standards that could result in the entry of wastewater into the water supply or distribution system.
K	Projects: (1) to improve or correct disinfection facilities that lack needed reliability features, chlorine residual analyzers, or alarms, or (2) to correct other disinfection deficiencies that violate the Water Works Standards or other State regulations.
L	Projects to: (1) provide treatment to correct an existing and ongoing violation of the iron or manganese secondary standard for which a compliance order has been issued; or (2) correct a violation of a Department published chemical action level; or (3) provide treatment for standby groundwater sources that are contaminated in excess of a primary MCL.
M	Projects to correct an existing violation of any Water Works Standard other than that described in categories J or K; or to correct an ongoing TMF deficiency of a water system that does not have a project ranked in any of the above categories.
N	Projects to correct a violation of a secondary standard other than iron or manganese.
O	Projects to correct water system deficiencies needed to improve the quality of the water or the water delivery system that are not covered by other categories.

In general, the Department considers priority categories A through G to be high priority, categories H through K to be medium priority and categories L through O to be low priority. A detailed description of the criteria used to rank SDWSRF project is presented in Appendix C.

2. Bonus Ranking Points

Bonus points are used in ranking projects within a category. The addition of bonus points will not move a project from one category to another. This point is stressed more than once in this document to emphasize that the category in which a project is placed is much more important, for funding concerns, than is the assignment of bonus points. To the extent feasible, when a group of systems is invited to complete the application process for SDWSRF funding, all the systems within that category seeking funding that year are invited.

a. Affordability

The Department factors in affordability by comparing the MHI of the community served by the proposed project to the statewide MHI level. Communities that are below the statewide average MHI level receive additional ranking consideration. This gives poorer communities a higher ranking within a category than communities with higher income levels do. Additional affordability ranking points will be granted as follows:

MHI of Service Area	Ranking Points
Greater than statewide MHI	0
90%-100% of statewide MHI	5
80%-89% of statewide MHI	10
70%-79% of statewide MHI	15
60%-69% of statewide MHI	20
Less than 60% of statewide MHI	25

b. Consolidation

For purposes of ranking projects within a category, any project that includes consolidation of separate existing water systems will receive additional ranking points. Consolidation points support projects which will provide reliability, efficiency, and economy of scale that can be achieved with larger water systems while discouraging the proliferation of numerous separate small systems with their inherent inefficiencies and limitations.

Consolidation type	Consolidation ranking points
Managerial consolidation of 2 or more systems	10
Physical consolidation of 2 or more systems	20

3. Type of System

Because there is a relatively higher health risk associated with persons who drink the same water each day over a period of time (accumulated exposure), community and non-transient non-community water systems are ranked above transient noncommunity systems within a category.

4. Population

Award of additional points for affordability and consolidation affects the ranking of a project within a category, but does not result in a project being elevated to a higher category. All projects within a category that have the same number of ranking points are ranked in ascending order based on the population served by the water system with smaller populations ranked above higher populations. This allows smaller communities that have a more difficulty obtaining financing an opportunity to compete with much larger systems for available state financing.

The California enabling legislation emphasizes that that the degree of health risk, compliance with the SDWA, and affordability are the primary criteria for ranking projects. The ranking criteria described in this section accomplish this.

B. Source Water Protection Program Project Ranking Criteria

1. Protection of Water Source from Contaminants Posing a Health Risk

The following categories are used for ranking SWP projects:

<u>SWP Category</u>	<u>Source Water Protection Project Description</u>
SWP-A	projects that address microbial contaminants associated with potential contaminating activities (PCAs) located in Zone A of a SWP area for a ground water source, or located in Zone A or B of a SWP area for a surface water source if zones have been established
SWP-B	Projects that address nitrate associated with PCAs located in Zone A for a ground water source.
SWP-C	Projects that address nitrate associated with PCAs located in Zones B5, B10 and/or a recharge area for a ground water source.
SWP-D	projects that address disinfection byproducts and/or chemicals associated with PCAs located in Zones A and/or B5 for a ground water source, or located in Zones A and/or B for a surface water source if zones have been established
SWP-E	Projects that address disinfection byproducts and/or chemicals associated with PCAs in Zone B10 of a ground water source.
SWP-F	Projects that address disinfection byproducts and/or chemicals associated with PCAs in the watershed of a surface water source.
SWP-G	Projects that address disinfection byproducts and/or chemicals associated with PCAs in the recharge area of a ground water source.
SWP-H	Projects that address microbial contaminants associated with PCAs located in Zone B5 and/or B10 for a ground water source, in the recharge area of a ground water source, or in the watershed of a surface water source.
SWP-I	Projects that address microbial contaminants, nitrate, or disinfection byproducts and/or chemicals associated with PCAs in the buffer zone of a ground water source, if a buffer zone has been established.

2. Bonus Points

SWP projects will be ranked within a category based on the total number of bonus points awarded by the Department using the following criteria. These criteria provide higher priority to systems in which actual water contamination is known to have occurred and that contamination has shown movement toward the system's water source. The criteria also award points within a category based on actions, which the water

system has undertaken on its own to establish a source water protection plan, thereby reflecting a readiness to proceed.

Source Water Assessment or Protection Actions	Bonus Points
Completed SWAPP	4
Local SWP Task Force	2
SWP Management Measures Plan	2
Known Contaminant Movement Threat	3

3. System type and size criteria

Projects in the same category that have the same number of bonus points will be ranked in accordance with the following:

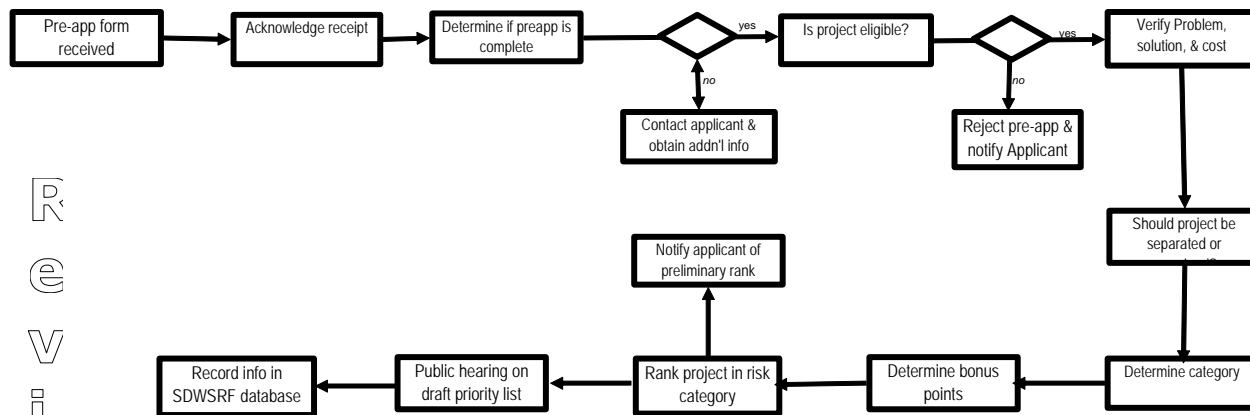
- Community and non-transient non-community water system projects will be ranked above transient noncommunity water system projects.
- Projects that are proposed by the same type of water system will be ranked in ascending order (smaller populations above higher populations) by the number of persons served.

C. **Process for Adoption of Priority List**

The ranking of projects on the Project Priority List is based on the submission of a pre-application by public water systems. The pre-application is a relatively simple one-page form that must be filled out and submitted by any water system wishing to have a project included on the priority list. In preparing the 2006 updated listing, a copy of the SRF and SWP preapplication forms were sent to all public water systems in California. Since there is no obligation on the part of the water system, all water systems were encouraged to submit pre-applications for any projects for which they might want to consider the use of SDWSRF funding in the near future. Water systems are not limited in the number of projects they submit. In fact, systems were encouraged to submit separate pre-applications for each separate water problem faced by the system. During development of the initial listing the Department received nearly 3,500 pre-applications. During the development of the annual updates, new or updated pre-applications are received from approximately 150 systems each submission period. The 2006 Draft Project Priority List includes projects on the 2005 project priority list as well as pre-applications received in 2005, and includes approximately 3,800 projects.

Following receipt of the pre-applications, the Department's field staffs review each project and the project is ranked into the appropriate category. Any bonus points are assigned and the applicant is informed of the category ranking. The pre-application information is entered into a statewide database from which the statewide Project Priority List is developed. A flow chart depicting the pre-application review process is shown in Figure 1.

Figure 1
Pre-Application Review & Ranking Process



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In addition to individual water system notification, and posting on the Internet for public availability, a public hearing is held in Sacramento. A 45-day period is provided for public comments on the draft Update of the SDWSRF Project Priority List, and the SWP Project Priority List. The updated SDWSRF Project Priority List and the updated SWP Project Priority List are then adopted. The draft 2006 SDWSRF Project Priority List is included as Appendix D. The draft 2006 SWP Project Priority List is included as Appendix E.

D. Use of the Project Priority List

As indicated earlier, the Project Priority List forms the basis for determining which projects will receive funding. To the extent feasible, projects will be funded in descending order of their placement on the priority list. However, due to the federal deadlines on obligation of the available funds, projects that are not ready to proceed may be by-passed for that particular funding cycle. Any project that is by-passed will retain its position on the priority list and be eligible for the next funding cycle.

Following adoption of the priority list, the Department will determine which projects have indicated an immediate "readiness to proceed." Readiness to proceed means an ability and willingness to enter into and sign a loan commitment by the deadlines established by the Department for that funding year. The projects that are ready to proceed will be separated into large water system (serving 10,000 or more persons) and small water system (serving less than 10,000 persons) lists. Based on the amount of funding available, the Department will determine which portion of the Project Priority List will constitute the "fundable" portion of the list for that particular funding cycle.

While the fundable project list will include small and large systems, the Department will identify a number of large systems that together represent approximately 200% of the funds available for large systems for that year. This group of large systems will constitute the working list of large systems. The purpose of this working list of large systems is to ensure that there are enough projects ready to proceed at the time the Department initiates the funding by-pass procedures.

Similarly, the Department will identify a number of small systems that together represent over 200% of the funds available for small systems for that year. A higher percent goal is generally used for small systems due to the higher drop out rate for small systems. This group of small systems will constitute the *working group* of small systems. The purpose of this list is to ensure that there are enough projects ready to proceed at the time the Department initiates the funding by-pass procedures.

All projects in the working list of large and small systems will be invited to submit a full application for funding from the 2006 funds. The SDWSRF proposed fundable project list for 2006 funding is provided in Appendix F. Applications received from large and small systems in the working list, but not in the fundable project list, are processed as received but funding commitments are not made until after the by-pass procedures have been initiated, and will be made in order of priority in the Multi-Year Project Priority List. The by-pass procedures occur at multiple times and points in the process. Accordingly, the working list as well as the fundable list will be adjusted periodically based on the by-pass results. A revised fundable list will be submitted to USEPA as revisions are made.

As required by the federal guidelines, the Department will annually establish a small water system funding reserve. The purpose of the small system reserve is to assure that small systems do not have to compete with large water systems for available funds and thus would have more time to develop and submit

applications without fear of losing funds to larger systems that may be ready to proceed at an earlier date. The amount of the annual small system reserve will be a minimum of 15% of the total funding available for financing projects. A Conceptual Flowchart of the SDWSRF Project Funding Process is provided in Figure 2.

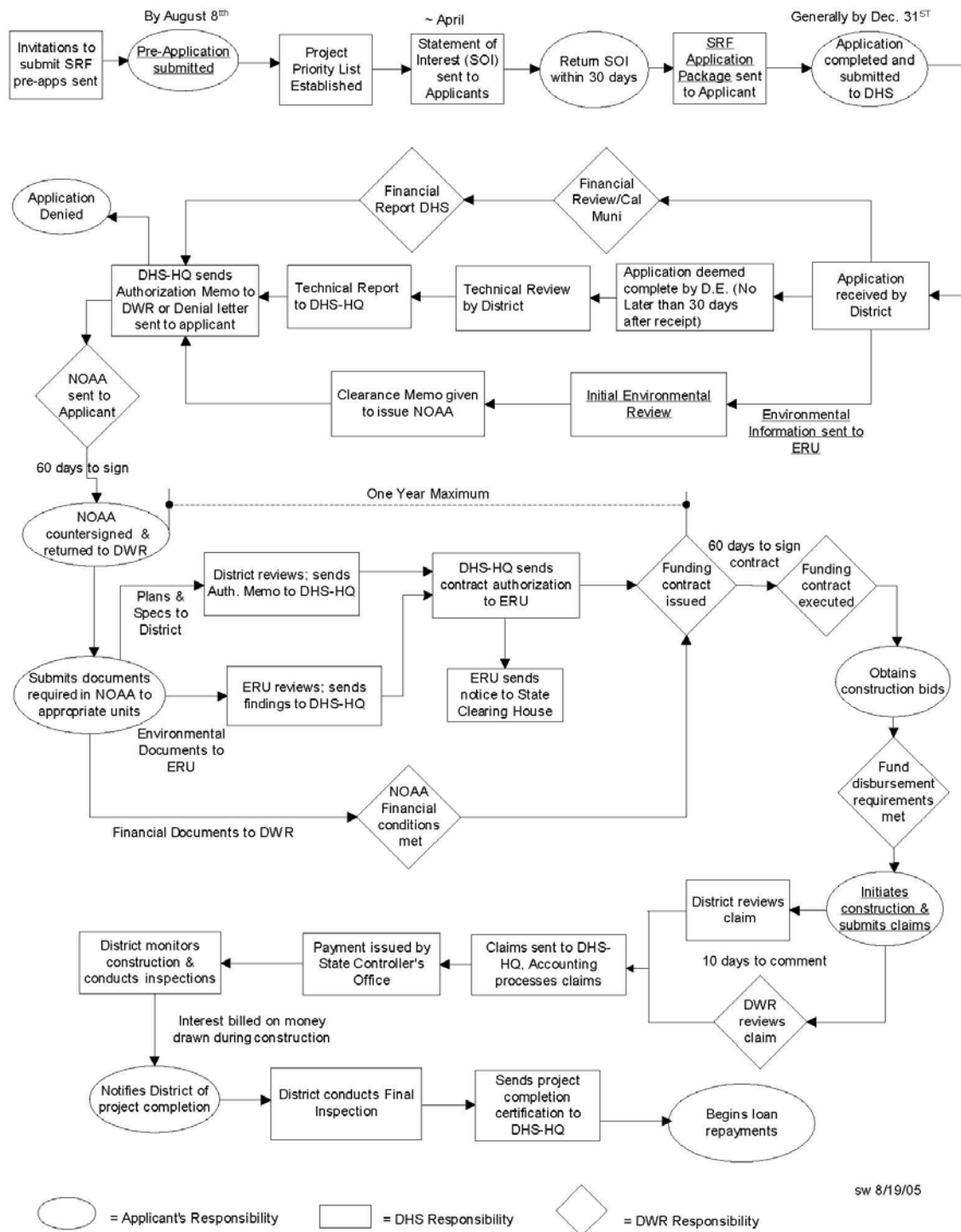
E. Project By-Pass Procedures

As indicated, it may be necessary from time to time for the Department to by-pass a project on the priority list in order to fund a lower ranked project. This is essential to meet the federal funding obligation deadlines and avoid loss of funds. Projects will be by-passed only under one or more of the following conditions:

1. The applicant indicates on the pre-application form that they do not desire or will not be able to receive funding in the current funding year. This project will be by-passed automatically for the current year.
2. Upon receiving an invitation from the Department to submit a full application, the applicant notifies the Department that they do not wish to submit an application at this time or that they cannot meet the application submittal deadline.
3. The applicant fails to submit the full application by the deadline established by the Department.
4. A full application is rejected by the Department and a revised application cannot or will not be resubmitted within the deadlines established by the Department.
5. The Department determines (and has notified the applicant) that the applicant does not (or will not) meet the TMF capacity requirements and is thus ineligible.
6. The water system is in "significant noncompliance," and it is determined that the project will not return the system to compliance with the SDWA.
7. Upon receiving a preliminary letter of commitment [Notice of Application Acceptance] from the Department, the applicant fails to sign and return the letter by the deadline established by the Department.
8. The applicant fails to submit plans and specifications for the project by the deadline established by the Department and the initial loan offer is withdrawn.
9. The applicant has reached the \$30 million annual per applicant loan cap. All other projects for the applicant that would exceed the \$30 million cap will be by-passed, except as provided in regulations (Appendix A).

Figure 2
SDWSRF Funding Process – Conceptual Flowchart

Complete SRF Process- Phases I, II, III



10. Projects which are invited for two consecutive invitation cycles, and which fail to respond to such correspondence, will be bypassed for subsequent invitation cycles until such time as the system indicates that it is ready to proceed if invited to apply for SDWSRF funding.

Applicants whose projects are, or will be, by-passed are notified. Any project that is by-passed will retain its position on the current priority list and will be eligible for potential funding in the following fiscal year.

VII. PUBLIC PARTICIPATION

The guidelines provided by the USEPA require that states seek meaningful public review and comment on its funding decisions in the SDWSRF Intended Use Plan. The Department has involved numerous groups and individuals in the development of the ranking criteria and program components. This section provides a summary of the Department's efforts to involve the public in the development of the SDWSRF program.

R e v i s e d A. SDWSRF Program Development

During 2007-8, the Department plans to convene the internal SDWSRF policy committee at least quarterly to discuss program progress and potential modifications. In addition, the Department holds meetings with outside interest groups on implementation of new grant funding programs (e.g. Prop 50 and Prop 84). These meetings provide the opportunity for input relevant to the SDWSRF program as well. These internal and external groups may evaluate current program or potential modification of the program structure or resource utilization. Topics recommended for consideration include ranking and bonus point criteria, strategies to increase funding to small and disadvantaged systems, and set-aside activities.

B. Project Priority List and the Intended Use Plan (IUP)

Announcement of the draft version of each year's draft IUP and each Project Priority List is posted copies on the Department's internet web site. Copies of the draft documents are available for download and review by all interested parties on the Department's SDWSRF program website. Comments are accepted for 45 days, and a public comment hearing is conducted. Comments are accepted by the SDWSRF in writing (by mail or fax), via email to a SDWSRF program email site, or in person at a public hearing conducted for this purpose. A summary of the comments received on the draft 2006 SDWSRF IUP and PPLs, and the Department response is provided in Appendix H.

C. Source Water Assessment and Protection (SWAP)

The comprehensive description of California's SWAP is contained in the Department's Drinking Water Source Assessment and Protection Program report, dated January 1999, which has been submitted previously. Department representatives meet regularly with professional committees at meetings of groups such as the Groundwater Resources Association, the California Environmental Health Association, the Association of California Water Agencies, and CALFED Bay-Delta Project committees. These meetings provide the opportunity to receive input from the regulated community and other interested parties.

D. Small Water System Technical Assistance

The small water system technical assistance program strategy was developed with the assistance of interested groups such as California Rural Water Association, Rural Community Assistance Corporation, Community Development Block Grant program, California Conference of Directors of Environmental Health (CCDEH), local environmental health agencies, Self-Help Enterprises, American Water Works Association and others. Funding workshops providing an introduction to a variety of state and federal infrastructure funding programs are held throughout the state each year. These provide small water system representatives the opportunity to provide direct feedback to SDWSRF program representatives.

E. Capacity Development

During 1999, the Department circulated key draft TMF Capacity implementation policy documents to an external group of interested parties, the SDWSRF technical advisory committee, and others. These stakeholders provided valuable input to the department during the formation of the TMF policy. The advisory group has met on several occasions since that time to provide feedback and input on modifications to enhance the SDWSRF and the TMF capacity programs. Input from the SDWSRF Interest Group, California Conference of Directors of Environmental Health, the LPAs, and other committees and task force groups has been central to the program development and revision process.

F. Outreach

In addition to the committees and public meetings described above, the SDWSRF staff continues to provide updates on the program to various meetings and conferences. This outreach helps to ensure that the interested public has ongoing opportunities to influence the SDWSRF program to better meet the intended goals.

APPENDIX A

SDWSRF Program Regulations (Including proposed revisions)

APPENDIX B

SDWSRF Summary of Grant Award Utilization Years 1 - 10

Revised Final FFY 2006 Intended Use Plan – DWSRF Program

SDWSRF Financial Plan											
State Fiscal Year 1998-2002											
California Implementation September 1998 - September 2005											
California DWSRF Program Grant Awards 1, 2, 3, 4, and 5											
Federal Grant Year	year 1 98-99		year 2 99-00		year 3 00-01		year 4 00-02		year 5 01-03		Total
Award Date	9/1/1998		8/1/1999		8/1/2000		12/1/2000		3/1/2002		Years 1, 2, 3, 4, & 5
Grant Award Number	FS-98912401-0		FS-98934999-0		FS-98934900-0		FS-98934901-0		FS-98934902-0		Combined
ACCOUNT	FEDERAL FUNDING	STATE MATCH	FEDERAL FUNDING	STATE MATCH	FEDERAL FUNDING	STATE MATCH	FEDERAL FUNDING	STATE MATCH	FEDERAL FUNDING	STATE MATCH	COMBINED (yrs 1-5)
I. DWSRF Loan Account	\$63,270,654	\$15,136,520	\$72,173,275	\$15,421,620	\$71,603,596	\$16,163,340	\$79,793,445	\$16,798,620	\$73,062,600	\$16,868,000	\$440,291,670
Large systems (85% target)											
Standard Loans											
Disadvantaged Communities											
Large systems subtotal											
Small Systems(15% target)											
Standard Loans											
Disadvantaged Communities											
Small Systems Subtotal											
Loan Account Subtotal	\$78,407,174		\$87,594,895		\$87,766,936		\$96,592,065		\$89,930,600		\$440,291,670
II. Set Aside Accounts											
Technical Assistance	\$1,513,652		\$1,542,164		\$1,616,334		\$0		\$1,686,800		\$6,358,950
State Program Management											
Capacity Development#	\$302,730		\$308,433		\$323,267		\$0		\$2,000,000		\$2,934,430
Local Assistance											
Source Water Assessment Program	\$7,568,260										\$7,568,260
Source Water Protection Loans			\$0		\$4,040,835		\$4,199,655		\$4,217,000		\$12,457,490
Set aside Subtotal	\$9,384,642		\$1,850,597		\$5,980,436		\$4,199,655		\$7,903,800		\$29,319,130
III. DWSRF Administration Account											
4% Set aside	\$3,027,304		\$3,084,328		\$3,232,668		\$0		\$3,373,600		\$12,717,900
Fees											
Subtotal											
TOTAL FEDERAL	\$75,682,600		\$77,108,200		\$80,816,700		\$83,993,100		\$84,340,000		Total funding
TOTAL STATE		\$15,136,520		\$15,421,640		\$16,163,340		\$16,798,620		\$16,868,000	\$482,328,720

DWSRF FFY 2006 Funding

I

Revised Final IUP – June 2007

SDWSRF Financial Plan											
State Fiscal Year 2003-7											
California Implementation October 2005 - September 2007											
California DWSRF Program Grant Awards 6, 7, 8, 9, & 10											
Federal Grant Year	Year 6		Year 7		Year 8		Year 9.1		Year 10		Total
Award Date	7/1/2003		6/21/2004		7/1/2005		16-Jun-06		Proposed		Years 6, 7, 8, 9.1, & 10
Grant Award Number	FS-98934903-0		FS-98934904-0		FS-98934905-0		FS-98934906-0		FS-989349xx-0		
ACCOUNT	FEDERAL FUNDING	STATE MATCH	FEDERAL FUNDING	STATE MATCH	FEDERAL FUNDING	STATE MATCH	FEDERAL FUNDING	STATE MATCH	FEDERAL FUNDING	STATE MATCH	COMBINED (yrs 6-10)
I. DWSRF Loan Account	\$71,390,201	\$16,492,180	\$70,949,918	\$16,393,240	\$68,356,592	\$17,005,520	\$73,225,886	\$16,969,500	\$58,423,429	\$13,430,736	\$422,637,202
Large systems (85% target)											
Standard Loans											
Disadvantaged Communities											
Large systems target subtotal											
Small Systems(15% target)											
Standard Loans											
Disadvantaged Communities											
Small Systems target subtotal											
Loan Account Subtotal											
II. Set Aside Accounts											
Technical Assistance	\$1,649,218		\$1,639,324		\$3,339,876		\$1,390,538		\$1,342,083		\$9,361,039
State Program Management							\$1,050,000		\$2,304,000		\$3,354,000
Capacity Development#	\$2,000,000		\$2,000,000		\$2,400,000		\$2,400,000		\$2,400,000		\$11,200,000
Local Assistance											
Source Water Assessment Program											
Source Water Protection Loans	\$4,123,045		\$4,098,310		\$4,251,380		\$4,000,000		\$0		\$16,472,735
Set aside Subtotal											
III. DWSRF Administration Account											
4% Set aside	\$3,298,436		\$3,278,648		\$6,609,752		\$2,781,076		\$2,684,166		\$18,652,078
Fees											
Subtotal											
TOTAL FEDERAL	\$82,460,900		\$81,966,200		\$85,027,600		\$84,847,500		\$67,153,678		Total Funding
TOTAL STATE		\$16,492,180		\$16,393,240		\$17,005,520		\$16,969,500		\$13,430,736	\$481,747,054

APPENDIX C

SDWSRF Ranking Criteria

R e v i s e d

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Appendix D

2006 Final SDWSRF Project Priority List

APPENDIX E

2006 Final Source Water Protection Project Priority List

APPENDIX F

Reserved for
DWSRF FUNDABLE LIST

APPENDIX G

California Operator Certification Program Annual Report

APPENDIX H

SUMMARY OF PUBLIC COMMENTS FOR 2006 DRAFT IUP/PPL